
Meeting of the Cabinet – 15th December 2021

Report of the Director of Regeneration and Enterprise

To Submit Stage 2 Business Case for the Towns Fund Deal

Purpose

1. The purpose of the report is to update Cabinet on the progress since the last formal update to Cabinet in March 2021 and the subsequent award announcement in July 2021 and seek approval to progress the Stage 2 bid.

Recommendations

2. It is recommended that:
 - Approval to submit the Stage 2 Business Case for the £25m Towns Fund to build a Health Innovation Centre on Castle Hill to the Department of Levelling Up, Housing and Communities (DLUHC).
 - That the Director of Regeneration and Enterprise submit a report to the Cabinet in due course, seeking authority for the Council to use its Compulsory Purchase Powers, to enable the site assembly, if willing negotiations to make land and property transactions cannot be satisfactorily concluded.

Background

3. Dudley Town Centre is one of 100 centres invited by Government to bid for the £3.6bn Towns Fund. The aim of the Fund is to secure long term economic growth and improved productivity. This will be achieved through investment in connectivity, land use, skills and enterprise infrastructure. DMBC made submission in January 2020 and July 2020 it was confirmed we had been successful and received approval to submit the Stage 2 FBC to secure the full £25 million

Business Case

The bid was based around a number of town-centre schemes and anchored by the provision of a Higher Education facility at Castle Hill as part of the ongoing Town

Investment Plan. The applicant will be Dudley MBC / Dudley Town Board and the proposals will be delivered in partnership with Dudley College and the University of Worcester. The facility will provide higher education courses for the health and life sciences sector.

Since the Towns Fund Stage 1 bid was submitted, the delivery method has been reviewed. If DMBC construct the building then VAT will not be applied. The revised costs are:

Item	Cost Estimated as at Jan 2021 for Town's Fund Bid	Funding Source	Current Estimated Cost ex VAT - Rent Specialist Fixtures, Fittings and Equipment	Note
Higher Education Institute Building	£25m	Towns Fund	£18.57	Adjusted to reflect material and labour exceptional cost increase circa £1m across build costs
Foundations, cut and fill, remediation and retaining walls	£1.0m		£0.86	Costs increased as noted above
Breaking out of floor slabs and foundations	£0.2m		£0.20	DMBC/RJKC to update
Conservation Area Design Premium	£0.58m		£0.49	Costs increased as noted above
Building External Works	£1.34m		£1.15	Costs increased as noted above
Additional Building Services for Medical Sciences	£1.3m		£0.26	Costs reflect FFE rented rather than purchased
Utilities	£0.30m		£0.38	Costs increased as noted above
Initial Public Realm Connectivity to Town Centre	£1.0m	Accelerator Fund	Excl	As part of Adopted Zoological Way
Land Assembly (JBs Club, Martial Arts Gym, Dudley Zoo land interests, removal of covenants)	£1.6m		£1.60	DMBC to update
Demolition and Asbestos Removal Work	£1.75m		£1.75	DMBC to update
Connectivity Works at Castle Hill and Highway Amendments	£2.0m		£2.00	Public Realm -DMBC to update
Total	£36.07m		£27.26	

Note

All items Highlighted in Blue form part of HEI Building Contract Works

The project team recognise the gap between the Towns Fund Bid and the current estimated cost of delivery. Work continues to bring the project within budget and if required, alternative gap funding will be pursued.

The building will be delivered by DMBC through an insurance backed contract which is a collaborative working contract that sees all members of the integrated project team selected at the project's inception to form an interdisciplinary 'alliance board' that are insured together under a single loss-based insurance product. The model supports innovation by binding the team around cost, time and quality. The idea is that it promotes a culture of mutual trust, no blame/no claim and decisions being made on the basis of what is best for the project. A key advantage is that the maximum cost is agreed before construction and any overspend is covered by insurance.

DMBC and Dudley College of Technology (DCoT) may negotiate and agree to enter into an Agreement for Lease conditional upon satisfactory planning permission, the appropriate CPO being agreed plus any other terms and conditions to provide satisfaction to both parties.

Following completion of the build DCoT will enter into a lease of the building from the council. DCoT will then enter an agreement with the University of Worcester to provide the health science courses.

The Council has continued the engagement with Amion to pull together the Stage 2 business case and the intention is to submit in January 2022 to allow the project to progress in line with the programme and the intended opening date of Autumn 2024.

Should the planning application be called in, alternative timelines have been produced for a number of scenarios to mitigate delay.

The latest detailed programme is contained in Appendix A

An executive summary of the Business Case to be submitted is contained in Appendix B.

Land Acquisition/CPO

There are currently three buildings on the site: The Hippodrome, K2 Martial Arts Centre and a property known as Castle Hill Banqueting Suite formally JB's Nightclub. The council owns the Hippodrome and are currently negotiating with the owners of the other two properties through a property consultant.

The council have submitted initial offers to both owners based on their valuation of the properties. These have not been accepted and there is currently a significant gap between our valuation and the owners' expectations. The consultants working for the council have been instructed to continue negotiations with the owners and we understand that Castle Banqueting Suite are seeking an independent valuation.

If the owners of either property are not agreeable to the sale of the properties by January 2022, the council will begin preparing a Compulsory Purchase Order (CPO) and officers will return to Cabinet in Spring 2022 to formulate and agree the CPO powers.

Planning Permission

The planning application was submitted in August 2021 and resolved to be approved at the 17th November DC Committee. However, in October the Council were notified that a request for the application to be called-in by the Department of Levelling Up, Housing and Communities (DLUHC) has been submitted.

The Call- in process allows the Secretary of State to take the decision-making power on a planning application out of the hands of the local planning authority (LPA) by calling it in for his own determination. In practise, this means that the decision notice for the application is put on hold until DLUHC officials have reviewed the application and decided if it is of 'more than local' importance and should therefore be determined by the Secretary of State instead of the LPA. If this is the case there will be a public inquiry chaired by a planning inspector, who will then make a recommendation to the Secretary of State. We expect to know if the application will be called in between January and March 2022.



An executive summary of the Business Case to be submitted is contained in Appendix B.

Finance

4. As detailed above, the current forecast total cost for the provision of the Higher Education facility at Castle Hill is £27.26m. This is to be funded by £25m from the Towns Fund grant, with the balance to be funded from other external resources.

The costs incurred in preparing the Stage 2 Business Case are to be funded by resources held by the Regeneration & Enterprise Directorate.

Law

5. Section 111 of the Local Government Act 1972 empowers the Council to do anything calculated to facilitate the discharge of any of its functions.

Pursuant to Section 1 of the Localism Act 2011, the Council has the general power of competence to do anything that individual generally may do.

Section 123 Local Government Act 1972 provides that the Council should receive best consideration in respect of any disposal of land (as in this case a lease in excess of 7 years) or alternatively the Council's approved Protocol for Best Consideration must be considered by the Council – please see Appendix B.

Risk Management

6. The strategic risk register for the project is contained in Appendix C

Equality Impact

7. The provision of a Health Innovation university building in the town will have positive impact on people with different protected characteristics (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation) by providing access to health science courses in the borough.

The Council's Equality and Diversity policies will be applied throughout the delivery of this project.

Extensive consultation was carried out as part of the Stage 1 submission using a variety of different methods which allowed the council to reach a wider than normal demographic included more below 25 years old than normal. Generally, the responses were very positive to building a university in the borough.

Human Resources/Organisational Development

8. Any staffing requirements resulting from this decision will be accommodated within existing resources and therefore the decision has no specific impact for HR/OD.

Commercial/Procurement

9. All contractual agreements associated with the delivery of this project will be let in accordance with the requirements of the Contract Standing Orders.

There are no direct commercial implications associated with this report.

Council Priorities

10. This project primarily links to the Regeneration and Enterprise section of the Council Plan – particularly regenerating the borough and growing a stronger visitor economy. The project links to wider regeneration activity in Dudley Town Centre.

The project will contribute to the 2030 Borough Vision through;

- Full of vibrant towns and neighborhoods, offering regeneration of current disused sites
- Better connected with high quality and affordable transport, combining road, tram, rail, and new cycling and walking infrastructure
- A place to visit and enjoy that drives opportunity.

The project contributes to our seven aspirations as well as Forging a Future for all. In particular for this project:

Home to hard graft, enterprise and innovation
Home to the skilled workforce of tomorrow

The project will align with objectives as laid out in the Local Enterprise Partnership's Strategic Economic Plan (SEP) and Local industrial Strategy; by contributing to bring a strong specialism in economic development strategy, local skills and by ensuring that skills training and opportunities link to local labour market and skills needs.

The project is to provide a new Higher Education building at the head of Castle Hill, to provide Health and Medical training to the area, thereby improving skills of the Town and local community.

The project will have a positive impact on the area and will align with other regeneration activity taking place in Dudley and around the Castle Hill area. As part of the wider activities and design there will be more accessibility, public realm and green spaces.

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The new building will be net zero carbon. The design, orientation and mass of the building has been designed to maximise the use of natural light and solar gain; the building will be powered by photo-voltatics and will be heated by air source heat pumps. The external works have been designed to provide shade and minimise water run-off.

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[Appendices \(All appendices can be viewed on the Council's Committee Management Information System\)](#)

Appendix A: Towns Fund Programme

Appendix B: Business Case

Appendix C: Risk Register